

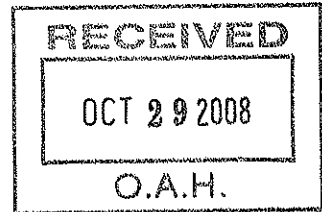
1 **ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS**

2 In the Matter of the Revocation of the Mortgage
3 Broker License of:

No. 09F-BD043-BNK

4 **HOUSE 2 HOME LENDING, INC. AND**
5 **MICHAEL W. LOW, PRESIDENT/CEO**
36600 N. Pima Road, Suite 302
Carefree, AZ 85377

**NOTICE OF HEARING AND
COMPLAINT**



6 Respondents.

7
8 PLEASE TAKE NOTICE that, pursuant to Arizona Revised Statutes ("A.R.S.") §§ 6-138,
9 and 41-1092.02, the above-captioned matter will be heard through the Office of Administrative
10 Hearings, an independent agency, and is scheduled for December 22 and 23, 2008 at 9:00 a.m., at
11 the Office of Administrative Hearings, 1400 West Washington, Suite 101, Phoenix, Arizona, (602)
12 542-9826 (the "Hearing").

13 The purpose of the Hearing is to determine whether grounds exist to suspend or revoke
14 Respondents' mortgage broker license; to order any other remedy necessary or proper for the
15 enforcement of statutes and rules regulating mortgage brokers in Arizona pursuant to A.R.S. §§ 6-
16 123 and 6-131; and to impose a civil money penalty pursuant to A.R.S. § 6-132.

17 Pursuant to A.R.S. § 6-138, the Superintendent of Financial Institutions for the State of
18 Arizona (the "Superintendent") delegates the authority vested in the Superintendent, whether implied
19 or expressed, to the Director of the Office of Administrative Hearings or the director's designee to
20 preside over the Hearing as the Administrative Law Judge, to make written recommendations to the
21 Superintendent consisting of proposed Findings of Fact, Conclusions of Law, and Order. The Office
22 of Administrative Hearings has designated Thomas Shedden, at the address and phone number listed
23 above, as the Administrative Law Judge for these proceedings. Pursuant to Arizona Administrative
24 Code ("A.A.C.") Rule 2-19-104 and A.R.S. §§ 41-1092.01(H)(1) and 41-1092.08, the
25 Superintendent retains authority to enter orders granting a stay, orders on motions for rehearing, final
26 decisions pursuant to A.R.S. § 41-1092.08 or other order or process which the Administrative Law

1 Judge is specifically prohibited from entering.

2 Motions to continue this matter shall be made in writing to the Administrative Law Judge not
3 less than fifteen (15) days prior to the date set for the Hearing. A copy of any motion to continue
4 shall be mailed or hand-delivered to the opposing party on the same date of filing with the Office of
5 Administrative Hearings.

6 A.R.S. § 41-1092.07 entitles any person affected by this Hearing to appear in person and by
7 counsel, or to proceed without counsel when submitting evidence, to have a reasonable opportunity
8 to inspect all documentary evidence, to cross-examine witnesses, to present evidence and witnesses
9 in support of his/her interests, and to have subpoenas issued by the Administrative Law Judge to
10 compel attendance of witnesses and production of evidence. Pursuant to A.R.S. § 41 1092.07(B),
11 any person may appear on his or her own behalf or by counsel.

12 Pursuant to A.R.S. § 41-1092.07(E), a clear and accurate record of the proceedings will be
13 made by a court reporter or by electronic means. Any party that requests a transcript of the
14 proceedings shall pay the cost of the transcript for the court reporter or other transcriber.

15 Questions concerning issues raised in this Notice of Hearing should be directed to Assistant
16 Attorney General Erin O. Gallagher, (602) 542-8935, 1275 West Washington, Phoenix, Arizona
17 85007.

18 **NOTICE OF APPLICABLE RULES**

19 On February 7, 1978, the Arizona Department of Financial Institutions (the "Department")
20 adopted A.A.C. R20-4-1201 through R20-4-1220, which were amended September 12, 2001, setting
21 forth the rules of practice and procedure applicable in contested cases and appealable agency actions
22 before the Superintendent. The hearing will be conducted pursuant to these rules and the rules
23 governing procedures before the Office of Administrative Hearings, A.A.C. R2-19-101 through R2
24 19-122. A copy of these rules is enclosed.

25 Pursuant to A.A.C. R20-4-1209, Respondents shall file a written answer within twenty (20)
26 days after issuance of this Notice of Hearing. The answer shall briefly state the Respondents'

1 position or defense and shall specifically admit or deny each of the assertions contained in this
2 Notice of Hearing. If the answering Respondents are without or are unable to reasonably obtain
3 knowledge or information sufficient to form a belief as to the truth of an assertion, Respondents shall
4 so state, which shall have the effect of a denial. Any assertion not denied is deemed admitted.
5 When Respondents intend to deny only a part or a qualification of an assertion, or to qualify an
6 assertion, Respondents shall expressly admit so much of it as is true and shall deny the remainder.
7 Any defense not raised in the answer is deemed waived.

8 If a timely answer is not filed, pursuant to A.A.C. R20-4-1209(D), Respondents will be
9 deemed in default and the Superintendent may deem the allegations in this Notice of Hearing as true
10 and admitted and the Superintendent may take whatever action is appropriate, including suspension
11 or revocation of Respondents' license and imposition of a civil penalty or restitution to any injured
12 party.

13 Respondents' answer shall be mailed or delivered to the Arizona Department of Financial
14 Institutions, 2910 North 44th Street, Suite 310, Phoenix, Arizona 85018, with a copy mailed or
15 delivered to the Office of Administrative Hearings, 1400 West Washington, Suite 101, Phoenix,
16 Arizona 85007 and to Assistant Attorney General Erin O. Gallagher, Consumer Protection &
17 Advocacy Section, Attorney General's Office, 1275 West Washington, Phoenix, Arizona 85007.

18 Persons with disabilities may request reasonable accommodations such as interpreters,
19 alternative formats, or assistance with physical accessibility. Requests for special accommodations
20 must be made as early as possible to allow time to arrange the accommodations. If accommodations
21 are required, call the Office of Administrative Hearings at (602) 542-9826.

22 COMPLAINT

23 1. Respondent House 2 Home Lending, Inc. ("House") is an Arizona corporation authorized
24 to transact business in Arizona as a mortgage broker, license number MB 0906094, within the
25 meaning of A.R.S. § 6-901, *et seq.* The nature of House's business is that of making, negotiating, or
26 offering to make or negotiate loans secured by Arizona real property, within the meaning of A.R.S. §

1 6-901(6).

2 2. Respondent Michael W. Low ("Mr. Low") is the President and CEO of House. Mr. Low
3 is authorized to transact business in Arizona as a mortgage broker within the meaning of A.R.S.
4 § 6-903(E).

5 3. A March 27, 2008 through June 30, 2008 examination of House, conducted by the
6 Department, revealed that House and Mr. Low:

7 a. Misrepresented or concealed essential or material facts in the course of the mortgage
8 broker business, specifically:

9 i. Of the seventy-four (74) loan files examined, the examiner found the following
10 individual loan misrepresentations:

11 (1) On September 2, 2006, Michael Low took two (2) applications for a
12 borrower to purchase investment properties located at 4750 N. Central
13 Avenue, Units 10H and 11H, Phoenix, AZ 85012;

14 (a) The loans closed on October 27, 2006 with First Magnus;

15 (b) Failure to disclose Unit 11H on the Unit 10H application, concealed
16 a \$194,250.00 mortgage obligation and the failure to disclose Unit
17 10H on the Unit 11H application, concealed a \$189,750.00 mortgage
18 obligation;

19 (c) By providing the same credit report on both loans, Respondents hid
20 the fact that the borrower was in the process of purchasing another
21 property. In order for a lender to make a prudent underwriting
22 decision they must know all liabilities and potential liabilities of the
23 borrower. It also affects the amount of money available to close the
24 loans and the required reserves after the loans close;

25 (d) On December 20, 2006, Michael Low took an application for said
26 borrower that subsequently closed on January 31, 2007, with a

1 mortgage of \$176,100.00. This loan was for the purchase of an
2 investment property located at 5401 E. Van Buren, Unit 9-3062,
3 Phoenix, AZ, 85008;

4 (e) This application failed to show two (2) investment properties that the
5 borrower purchased on October 27, 2006, of which Michael Low was
6 the loan officer. These properties are located at 4750 N. Central
7 Avenue, Unit 10H and Unit 11H, Phoenix, AZ 85012; and

8 (f) Failure to disclose Unit 10H concealed a \$189,750.00 mortgage
9 obligation and failure to disclose Unit 11H concealed a \$194,250.00
10 mortgage obligation to the lender, Mortgage IT;

11 (2) On July 28, 2006, an employee of House 2 Home closed his own loan for
12 the purchase of a primary residence located at 909 E. Camelback Road,
13 Unit 20-3121, Phoenix, AZ 85014;

14 (a) On December 4, 2006, said employee again closed his own loan for
15 the purchase of a primary residence located at 4750 N Central
16 Avenue, Unit 12D, Phoenix, AZ 85012; and

17 (b) This application failed to list the property at 909 E. Camelback Road.
18 By doing so, it concealed a \$156,550.00 first mortgage obligation
19 and a \$29,350.00 second mortgage obligation to the lender, Flagstar;

20 (3) On October 25, 2006, an employee took two (2) applications for a
21 borrower for the purchase of investment properties located at 4750 N.
22 Central Avenue, Units 5M and 12D, Phoenix, AZ 85012;

23 (a) Unit 5M closed on November 30, 2006 with Flagstar and Unit 12D
24 on December 4, 2006 with First Magnus;

25 (b) Failure to disclose Unit 12D on the Unit 5M application, concealed a
26 \$262,650.00 mortgage obligation to First Magnus;

- 1
- 2 (c) Failure to disclose Unit 5M on the Unit 12D application, concealed a
- 3 \$211,320.00 mortgage obligation to Flagstar; and
- 4 (d) By sending the loans to different lenders and providing the same
- 5 credit report to both lenders, Respondents hid the fact that the
- 6 borrower was in the process of purchasing another property. In order
- 7 for a lender to make a prudent underwriting decision they must know
- 8 all liabilities and potential liabilities of the borrower. It also affects
- 9 the amount of money available to close the loans and the required
- 10 reserves after the loans close;
- 11 (4) On February 21, 2007, an employee took an application for a borrower for
- 12 the purchase of a primary residence located at 3500 N. Hayden Road, Unit
- 13 412, Scottsdale, AZ 85251;
- 14 (a) This loan closed on March 20, 2007 with Flagstar with a \$201,200.00
- 15 first mortgage and a \$50,300.00 second mortgage. The application
- 16 showed he owned no other property and was currently renting at
- 17 4455 E. Paradise Village Parkway South, Unit 1006, Phoenix, AZ
- 18 85032;
- 19 (b) On May 21, 2007, said employee again took an application for a
- 20 borrower, for the purchase of a primary residence located at 5122 E.
- 21 Shea Boulevard, Unit 1152, Scottsdale, AZ 85264;
- 22 (c) This loan closed on June 28, 2007 with Mortgage IT with a
- 23 \$270,200.00 mortgage. This application also showed that the
- 24 borrower did not own any property and was currently renting at 4455
- 25 E. Paradise Village Parkway South, Unit 1006, Phoenix, AZ 85032;
- 26 and

- 1 (d) By doing so, concealed the \$201,200.00 first mortgage obligation
2 and the \$50,300.00 second mortgage obligation on the 3500 N.
3 Hayden Road, Unit 412, Scottsdale, AZ 85251 property he purchased
4 in February;
- 5 (5) On March 16, 2007, an employee took an application for a borrower, for
6 the purchase of an investment property located at 3500 N. Hayden Road,
7 Unit 101, Scottsdale, AZ 85251. This loan closed on April 13, 2007, with
8 First Magnus under a stated income program;
- 9 (a) The stated income for both borrowers was \$16,283.00 per month.
10 Said employee inflated the borrower's income \$5,324.00 per month
11 which allowed the borrower to qualify for the new loan. The
12 inflation of the income is evidenced by the fact that said employee
13 also closed two (2) prior loans for the borrower which were
14 documented income loans;
- 15 (b) The first property closed on October 20, 2006, with Flagstar with a
16 submitted income totaling \$10,959.00. The property was located at
17 4650 N. Central Avenue, Unit 9R, Phoenix, AZ 85012; and
- 18 (c) The second property closed on December 15, 2006 with a submitted
19 income of \$10,959.00. This property was located at 5401 E. Van
20 Buren, Unit 2-3002, Phoenix, AZ 85008;
- 21 (6) On August 20, 2007, said employee took two (2) applications for a
22 borrower for the purchase of investment properties located at 3500 N.
23 Hayden Road, Units 406 and 602, Scottsdale, AZ 85251;
- 24 (a) Unit 406 closed on September 20, 2007 with Flagstar and Unit 602
25 closed on September 20, 2007 with Mortgage IT;
- 26 (b) Unit 406 was not disclosed on the application for the purchase of

1 Unit 602 which concealed a \$222,750.00 mortgage obligation to
2 Mortgage IT;

3 (c) Unit 602 was not disclosed on the application for the purchase of
4 Unit 406 which concealed a \$220,950.00 mortgage obligation from
5 Flagstar; and

6 (d) By sending the loans to different lenders and providing the same
7 credit report to both lenders, Respondents hid the fact that the
8 borrower was in the process of purchasing another property. In order
9 for a lender to make a prudent underwriting decision they must know
10 all liabilities and potential liabilities of the borrower. It also affects
11 the amount of money available to close the loans and the required
12 reserves after the loans close;

13 (7) On March 15, 2007, an employee took two (2) applications for a borrower.
14 One for the purchase of a second home located at 101 Market Street, Unit
15 221, San Diego, CA 92101 and the other for the purchase of an
16 investment property, located at 3500 N. Hayden Road, Unit 2306,
17 Scottsdale, AZ 85251;

18 (a) Unit 221 closed on May 2, 2007 with First Magnus and Unit 2306
19 closed on April 26, 2007 with Flagstar;

20 (b) Unit 2306 was not disclosed on the application for the purchase of
21 Unit 221 which concealed a mortgage obligation of \$220,950.00 to
22 Mortgage IT;

23 (c) Unit 221 was not disclosed on the application for the purchase of
24 Unit 2306 which concealed a mortgage obligation of \$444,600.00 to
25 First Magnus; and

26 (d) By sending the loans to different lenders and providing the same

1 credit report to both lenders, Respondents hid the fact that the
2 borrower was in the process of purchasing another property. In order
3 for a lender to make a prudent underwriting decision they must know
4 all liabilities and potential liabilities of the borrower. It also affects
5 the amount of money available to close the loans and the required
6 reserves after the loans close;

7 (8) On March 15, 2007, Michael Low took two (2) applications for a
8 borrower for the purchase of investment properties located at 3600 N.
9 Hayden Road, Unit 2703 and Unit 3411, Scottsdale, AZ 85251;

10 (a) These loans closed on April 10, 2007 with Greenpoint;

11 (b) Neither loan disclosed the two (2) loans that Michael Low had taken
12 prior;

13 (c) Both loans were for the purchase of investment properties located at
14 4750 N. Central Avenue, Units 6F and 5F. Unit 6F closed on
15 October 17, 2006 with Tri-Star and Unit 5F closed on November 15,
16 2006 with First Magnus; and

17 (d) Failure to disclose Unit 6F concealed a \$171,855.00 mortgage
18 obligation and failure to disclose Unit 5F concealed a \$188,800.00
19 mortgage obligation, both to Greenpoint;

20 (9) On January 16, 2008, an employee took an application for a borrower for
21 the purchase of an investment property located at 3434 E. Baseline Road,
22 Unit 154, Phoenix, AZ 85042;

23 (a) This loan closed with First Horizon on April 2, 2008;

24 (b) The loan application showed that the borrower had a reverse
25 mortgage with Wells Fargo on her primary residence located at 1804
26 W. Parkway, Payson, AZ 85541 and therefore had no mortgage

1 payment. However, the employee had refinanced the Wells Fargo
2 loan for the borrower which closed on February 27, 2008; and

3 (c) Failure to disclose this new loan concealed a \$150,000.00 mortgage
4 obligation from the lender;

5 (10) On February 21, 2007, an employee showed that he took an application for
6 a borrower for the purchase of an investment property located at 3500 N.
7 Hayden Road, Unit 1905, Scottsdale, AZ 85251;

8 (a) This loan closed with First Magnus on March 26, 2007. First
9 Magnus made a condition of the loan to close that House and Mr.
10 Low provide them documentation that the borrower's income had
11 been received for the past two (2) years and would continue for at
12 least three (3) years;

13 (b) First Magnus was provided a signed letter from a financial planner
14 stating that he was a borrower's financial/estate planner and that she
15 had received her income the last two (2) years and that it would
16 continue for at least three (3) years;

17 (c) During the examiner's interview with said borrower, she stated that
18 said financial planner was not her financial advisor and was surprised
19 that he would state he was. She also stated that she never met with,
20 or had contact with House on the purchase of this property. She said
21 that she had only met with said financial planner and/or his assistant
22 and that they came to her house since she no longer can drive. They
23 had her sign documents and collected documents from her. Again
24 she stated that no one from House ever came to her house, called her,
25 mailed her or contacted her directly. Everything was handled
26 through the financial planner who is not an employee of House and

1 Mr. Low, but an interested third party. His third party interest is
2 documented by the fact that a borrower paid a \$1,000.00 consulting
3 fee and paid an additional \$200.00 consulting fee to the financial
4 planner; and

- 5 (d) By allowing the financial planner, an interested third party, to act as a
6 loan officer/processor, House and Mr. Low cannot warrant to the
7 lender that the documents they provided to the lender are true and
8 correct;

9 (11) On September 17, 2007, an employee showed that she took an application
10 for a borrower for the purchase of an investment property located at 3600
11 N. Hayden Road, Unit 3603, Scottsdale, AZ 85251. This loan closed with
12 Flagstar on October 19, 2007;

- 13 (a) On September 21, 2007, said employee showed that she took another
14 application for another investment property located at 3600 N.
15 Hayden Road, Unit 2409, Scottsdale, AZ 85251. This loan closed
16 with Mortgage IT on October 19, 2007;

- 17 (b) Failure to disclose Unit 2409 on the Unit 3603 application concealed
18 a \$151,650.00 mortgage obligation to Mortgage IT;

- 19 (c) Failure to disclose Unit 3603 concealed a \$166,950.00 mortgage
20 obligation to Flagstar;

- 21 (d) By sending the loans to different lenders and providing the same
22 credit report to both lenders, Respondents hid the fact that the
23 borrower was in the process of purchasing another property. In order
24 for a lender to make a prudent underwriting decision they must know
25 all liabilities and potential liabilities of the borrower. It also affects
26 the amount of money available to close the loans and the required

1 reserves after the loans close;

2 (e) In addition, during the examiner's interview with the borrower, she
3 stated that she never met with or talked to anyone from House, that a
4 financial planner and/or his assistant came to her house to have her
5 sign documents or collect documents for the loan, and that House and
6 Mr. Low never called her or mailed her any correspondence and let
7 the financial planner, an interested third party, act as a loan
8 officer/processor. His third party interest is documented by the fact
9 that the borrower paid \$2,000.00 in consulting fees; and

10 (f) House and Mr. Low cannot warrant to the lenders that the loan
11 documents are true and correct. In fact, the loan file for Unit 3603
12 contains a document signed by the financial planner, who represented
13 himself as the borrower's financial/estate planner. This letter was
14 submitted to document the receipt of and continuance of the
15 borrower's annuity and interest income for the next three (3) years.
16 The borrower stated during an interview that the said financial
17 planner is not her financial planner and did not request him to
18 provide this document;

19 (12) On November 16, 2007, an employee showed that she took an application
20 for a borrower for the purchase of an investment property located at 3500
21 N. Hayden Road, Unit 1903, Scottsdale, AZ 85251;

22 (a) This loan closed with First Horizon on February 1, 2008.

23 (b) On November 17, 2007, a signed upfront application was taken for a
24 borrower for the refinance of her primary residence located at 17223
25 N. Calico Drive, Sun City, AZ 85373 even though the printed name
26 showed a House employee;

- 1 (c) This loan closed with CMG Mortgage on February 20, 2008.
- 2 (d) Failure to disclose Unit 1903 concealed a \$153,450 mortgage
- 3 obligation from CMB Mortgage;
- 4 (e) By sending the loans to different lenders and providing the same
- 5 credit report to both lenders, Respondents hid the fact that the
- 6 borrower was in the process of purchasing another property. In order
- 7 for a lender to make a prudent underwriting decision they must know
- 8 all liabilities and potential liabilities of the borrower. It also affects
- 9 the amount of money available to close the loans and the required
- 10 reserves, if any, after the loans close;
- 11 (f) In addition, during the Department's interview with the borrower,
- 12 said borrower stated that she never met with or talked to anyone from
- 13 House. The borrower stated she no longer has a car since her
- 14 eyesight is impaired and that the financial planner and/or his assistant
- 15 came to her house to have her sign documents or collect documents
- 16 for the loans. She further stated that House and Mr. Low never
- 17 called her or mailed her any correspondence and let the financial
- 18 planner, an interested third party, act as a loan officer/processor. His
- 19 third party interest is documented by the fact that the borrower stated
- 20 she paid a consulting fee to him; and
- 21 (g) House and Mr. Low cannot warrant to the lenders that the loan
- 22 documents are true and correct.
- 23 (13) During the Department's interview with a House employee, she confirmed
- 24 the office had been instructed by Mr. Low not to contact the financial
- 25 planner's clients. The financial planner would provide her the loan
- 26 request so she could actually input the information into their processing

1 program. She would then provide the financial planner the application
2 package and he would in turn give it to the borrower to sign;

3 (a) The financial planner was also allowed by the title company to
4 conduct the closing and notarized the closing documents. By doing
5 so, he isolated the borrower from both the broker and the title
6 company; and

7 b. In addition to the individual loan misrepresentations, House and Mr. Low participated
8 in a cash kick-back scheme between the developers of the condominium-conversions
9 and the borrowers;

10 i. The cash kick-back scheme played out in the following two (2) scenarios:

11 (1) Scenario 1 - An Option to Purchase Agreement that was to be signed two
12 (2) days after the loan closed;

13 (a) This scenario provided the buyer a lump sum payment that
14 approximated 14% of the sales price less closing costs; and

15 (2) Scenario 2 - The developer would provide to an escrow company, Note
16 World Servicing Center ("Note World"), the lump sum which would then
17 be distributed to the borrower over a 12 month or 18 month period;

18 (a) A Servicing Agreement between the buyer and Note World would
19 then be signed and the buyer would be paid these monthly subsidies
20 beginning a month after close;

21 ii. See Exhibit B to the Department's Report of Examination ("Exhibit B") for the
22 list of loans that have been identified as part of the cash kick-back scheme. On
23 sales of \$10,713,120.00, the developers paid \$1,339,576.00 to borrowers under
24 this scheme with loans totaling \$9,217,223.00. In addition, Exhibit B identifies
25 those borrowers whose subpoenaed bank statements verified receipt of the cash
26 kick-back funds;

- 1
- 2 iii. House and Mr. Low participated in the scheme by not only being the broker for
- 3 these loans, but also advertised this program by doing seminars and a radio
- 4 program. When Mr. Low discussed "his deals" during the radio program, the
- 5 location of the project was given in general terms, such as Indian School and
- 6 Hayden. He used the word "incentives" in describing what the developer
- 7 would give. The "incentive" on the Indian School and Hayden project was
- 8 described as a 14% incentive that would closely cover the monthly mortgage
- 9 payments for 18 months. The specific details of this cash kick-back scheme
- 10 were not disclosed, but were disguised with the term "incentive";
- 11 iv. The appraisals for the transactions were completed by two appraisers.
- 12 v. An employee stated in her interview with the Department that everyone in the
- 13 office knew of the cash kick-back scheme, including the appraisers. The
- 14 appraisals for each sale should have addressed the cash kick-back so the
- 15 lenders' underwriters could have made informed decisions regarding whether to
- 16 close the loans or adjust the sales prices. Several of House's and Mr. Low's
- 17 employees also obtained loans where they received cash kick-backs after
- 18 closings;
- 19 vi. House and Mr. Low provided clients to the buyer's real estate agent, through its
- 20 seminars and radio program.
- 21 vii. The parties to the sales of the condominium-conversions, which include the
- 22 seller, buyer, real estate agents, and House and Mr. Low, were aware of the
- 23 sales concession/inducement prior to the purchase agreement being signed.
- 24 Therefore, the clear intent was that the sales concession/inducement was part of
- 25 the purchase transaction and not a separate transaction after the fact;
- 26 viii. This cash kick-back scheme, if the lenders had been made aware, would have

been treated as a sales concession/inducement to purchase from the seller. Under both Freddie Mac and Fannie Mae guidelines, the loan amount would have been determined by applying the appropriate loan to value calculation to the sales price less the sales concession/inducement. This scheme also kept the sales price of the units artificially inflated. If the developer could have sold the units at the original sales price without the inducement then he would have; and

ix. The primary victims of this scheme are the lenders who loaned more money than they would have if this sales concession/inducement had been disclosed to them. Other victims are those who bought units under the guise that these units were being sold at their true value and that they would make a profit when they sold the units in the future. Several of these units are in foreclosure.

LAW

1. Pursuant to A.R.S. §§ 6-901, *et seq.*, the Superintendent has the authority and duty to regulate all persons engaged in the mortgage broker business and with the enforcement of statutes, rules, and regulations relating to mortgage brokers.

2. By the conduct set forth in the Complaint, House and Mr. Low violated the following:

a. A.R.S. § 6-909(L) by misrepresenting or concealing an essential or material fact in the course of the mortgage broker business.

3. The violations, set forth above, constitute grounds to suspend or revoke House's and Mr. Low's mortgage broker license, number MB 0906094, pursuant to A.R.S. § 6-905(A).

4. Respondents misrepresented or concealed an essential or material fact in the course of the mortgage broker business by concealing material facts and making misrepresentations to lenders regarding several borrowers, which is grounds for suspension or license revocation pursuant to A.R.S. § 6-905(A)(3).

5. The violations, set forth above, constitute grounds for the pursuit of any other remedy necessary or proper for the enforcement of statutes and rules regulating mortgage brokers in Arizona

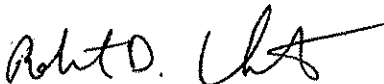
1 pursuant to A.R.S. §§ 6-123 and 6-131.

2 6. Pursuant to A.R.S. § 6-132, Respondents' violations of the aforementioned statutes are
3 grounds for a civil penalty of not more than five thousand dollars (\$5,000.00) for each violation for
4 each day.

5 WHEREFORE, if after a hearing, the Superintendent makes a finding of one or more of the
6 above-described violations or other grounds for disciplinary action, the Superintendent may suspend
7 or revoke Respondents' mortgage broker license pursuant to A.R.S. § 6-905(A); order any other
8 remedy necessary or proper for the enforcement of statutes and rules regulating mortgage brokers in
9 Arizona under A.R.S. §§ 6-123 and 6-131; and impose a civil money penalty pursuant to A.R.S.
10 § 6-132.

11 DATED this 29th day of October, 2008.

12 Felecia A. Rotellini
13 Superintendent of Financial Institutions

14 By 
15 Robert D. Charlton
16 Assistant Superintendent of Financial Institutions

17
18 ORIGINAL filed this 29th day of October,
19 2008, in the office of:

20 Felecia A. Rotellini
21 Superintendent of Financial Institutions
22 Arizona Department of Financial Institutions
Attn: Susan L. Longo
2910 N. 44th Street, Suite 310
Phoenix, AZ 85018

23 COPY of the foregoing mailed/delivered same date to:

24 Thomas Shedden, Administrative Law Judge
25 Office of Administrative Hearings
1400 W. Washington, Suite 101
26 Phoenix, AZ 85007

1 Erin O. Gallagher, Assistant Attorney General
Attorney General's Office
2 1275 West Washington
Phoenix, AZ 85007

3 Robert D. Charlton, Assistant Superintendent
4 Chris Dunshee, Senior Examiner
Arizona Department of Financial Institutions
5 2910 N. 44th Street, Suite 310
Phoenix, AZ 85018

6 AND COPY MAILED SAME DATE by
7 Certified Mail, Return Receipt Requested, to:

8 Michael Low, President
House 2 Home Lending, Inc.
9 36600 N. Pima Road, Suite 302
Carefree, AZ 85377

10 Respondents

11 Michael Low, President
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13 Respondents

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244543 V3; PHX-AGN-2008-0476